

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

July 25, 1998

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MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Cutting Greenhouse Gases through Energy Savings Performance Contracts

My Administration has made addressing the threat of global climate change one of our top environmental priorities. As the Nation's largest consumer of the fossil fuels that scientists believe are driving global warming, the Federal Government has a special responsibility to lead in developing clean energy solutions and in reducing Federal energy consumption. While Government-wide energy saving activities over the last several years have resulted in significant achievements, we can and should do more.

On March 9, 1994, I issued Executive Order 12902, Energy Efficiency and Water Conservation at Federal Facilities, which directed all executive agencies to reduce energy consumption 30 percent below 1985 levels by the year 2005. We have made significant strides, but in order to achieve this goal we must make better use of a critical energy management tool. Energy Saving Performance Contracts (ESPCs), which are authorized under the National Energy Conservation Policy Act, as modified by the Energy Policy Act of 1992, provide significant opportunities for making Federal buildings more energy efficient at little or no cost to taxpayers. Under ESPC authority, agencies can contract with private energy service companies to retrofit Federal buildings with no up-front payments by the Government. These companies recover their costs from a negotiated share of the energy cost savings, with the remaining savings being returned to the contracting agency and to taxpayers. The Federal Government must make more use of these highly cost-effective contracts.

I therefore direct all Federal agencies to maximize use of this authority by the year 2000, when the authority expires. I also direct the Department of Energy (DOE) to lead an interagency effort to develop a legislative proposal extending ESPC authority past the year 2000. As part of this effort, I direct all agencies to identify and propose areas for expansion of ESPC authority -- for instance, as appropriate, to some leased buildings, mobility, and other Federal assets. In addition, I direct agencies to propose ways to procure electricity produced using cost-effective renewable sources.

While ESPC authority has existed for some time, I have encouraged significant steps to streamline and promote greater use of this tool. ..To this end, the DOE and the Department of Defense (DOD) have negotiated contracts with energy service companies over most regions of the country. These ESPCs currently allow up to \$5 billion worth of projects at Federal facilities within these regions. The DOE and the Department of Defense (DOD) anticipate that by the end of this year they will negotiate contracts allowing an additional \$2.7 billion worth of such work in specific regions. The combined \$7.7 billion provides, in effect, the total dollar amount of retrofit projects that Federal agencies can complete at their facilities using ESPCS. In addition, the DOE anticipates negotiating over \$1 billion for ESPCs to finance the installation of renewable energy and other efficient technology systems in the near future.

To further compliance with this directive, I have asked the Office of Management and Budget to provide new guidance to agencies that will help remove barriers and provide more incentives for using ESPCS. This guidance will change the budgetary treatment of these contracts to be consistent with the unique statutory authority for ESPCS. Specifically, the full amount of budget authority for the contract will no longer be needed up front, but can be made available over a number of years. In addition, this guidance will encourage agencies to permit up to 50 percent of the energy savings from ESPCs to remain at the facility or site where they occur. Both of these policies will help motivate Federal energy managers to make greater use of ESPCs and reduce agency operating costs.

To make use of this authority, Federal facilities need to contact the DOE or the DOD to engage contractors already pre-approved to complete ESPC work. Agencies can also consider using direct appropriations or contract with their local utilities. I also direct Federal agencies to maximize efforts to earn an ENERGY STAR label, demonstrating to the public that they rank in the top 25 percent for building energy efficiency. Combining energy savings contracting authority with utility programs and agency funded efforts can save taxpayers as much as one billion dollars a year in energy costs over the next 15 years, and can reduce greenhouse gas emissions by up to 3 million metric tons of carbon annually.

To ensure the full use and benefits of ESPC authority, I further direct each executive agency to submit to me, in the next 90 days, a memorandum detailing:

1. Your agency's accomplishments in reducing energy consumption since 1985, and your plans to reduce energy consumption 30 percent below 1985 levels by 2005, in compliance with Executive Order 12902;
2. Your agency's plans to use ESPCs and other tools, as well as your plans to achieve ENERGY STAR labels for your facilities, as part of your increased attention to saving money through energy efficiency and renewable energy;

3. Your proposals on how to expand the Federal Government's use of these tools, for inclusion in our request to the Congress for extending ESPC authority beyond the year 2000; and
4. Your strategy for encouraging use of ESPCs and other financing mechanisms to install renewable energy production systems -- such as those called for in the Million Solar Roofs Initiative.

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